



BISALLOY STEEL GROUP LIMITED

A.C.N. 098 674 545

**Appendix 4D – Half Yearly Financial Report
Half Year ended 31 December 2009 (“HY10”)
Results for announcement to the market**

				HY10 \$'000	HY09 \$'000
Loss attributable to members	Down	(262.4%)	to	(2,073)	(572)
Continuing operations					
Revenue	Down	(50.2%)	to	39,685	79,690
(Loss)/Profit before tax from continuing operations	Down	(108.7%)	to	(2,624)	30,262
(Loss)/Profit after tax from continuing operations	Down	(109.8%)	to	(1,964)	20,037
Discontinued operations					
Revenue	Down	(100%)	to	-	110,481
Loss before tax from discontinued operations	Down	(100%)	to	-	(25,721)
Loss after tax from discontinued operations	Down	(100%)	to	-	(20,235)

Dividends	Amount per share	Franked amount per share	Tax rate for franking
Final dividend	N/A	N/A	N/A
Previous corresponding period	N/A	N/A	N/A
Record date for determining entitlements to the dividend		N/A	

	HY10	HY09
Other		
Net tangible asset backing per share	2.6cps	(10.1cps)

Explanation of Results

Please refer to the commentary in the attached half yearly report for an explanation of the results. This half yearly report should be read in conjunction with the most recent financial report.

Directors Report

Highlights

1. Revenues in the half year were \$39.7m, \$10.4m higher than the previous six month period and reflecting a gradual improvement in Bisalloy's markets.
2. Normalised EBIT was a loss of \$0.5m in the half year, compared to an EBIT loss of \$1.0m in the previous six month period.
3. During the half year period, working capital was reduced by \$9.7m and borrowings were reduced by \$11.5m.
4. Bisalloy's Asian operations in Indonesia and Thailand remained profitable in 1HY10 recording NPAT of \$0.3m compared to NPAT of \$1.4m in the previous corresponding period.
5. By the end of the period some improvement was evident in Bisalloy's markets. This has so far continued into the second half.
6. It is expected that the company will deliver an operating profit for the full financial year.

Results Summary

Results Summary - Bisalloy Steel Group Limited results for the half year ended 31 December 2009 (1HY10)			
Group Statutory Reporting Basis	1HY10	2HY09	1HY09
	\$'m	\$'m	\$'m
Continuing operations			
Revenues	39.7	29.3	79.7
Earnings before interest and taxes (EBIT)	(0.9)	1.3	31.1
Net financing costs	(1.8)	(1.6)	(0.8)
Profit before tax (PBT)	(2.6)	(0.3)	30.3
Income tax expense	0.7	2.4	(10.2)
Net profit after tax (NPAT) from continuing operations	(2.0)	2.1	20.1
Loss from discontinued operations	-	(5.8)	(20.3)
NPAT	(2.0)	(3.7)	(0.2)
Minority interests	(0.1)	-	(0.4)
NPAT attributable to members of the holding company	(2.1)	(3.7)	(0.6)

Results Summary - Bisalloy Steel Group Limited results for the half year ended 31 December 2009 (1HY10)			
Normalised Reporting Basis	1HY10	2HY09	1HY09
	\$'m	\$'m	\$'m
Continuing operations only			
Revenues	39.7	29.3	79.7
Earnings before interest and taxes (EBIT)	(0.9)	1.3	31.1
FX (losses)/gains	0.4	1.4	(17.8)
Gain/(loss) on sale of the Distribution Business	-	(3.7)	3.7
Normalised EBIT from continuing operations	(0.5)	(1.0)	17.0

Review of Operations

Summary

Bisalloy Group comprises Bisalloy Steels Pty Limited in Australia and the Joint Venture distribution businesses in Indonesia (PT Bima Bisalloy) and Thailand (Bisalloy Thailand).

Bisalloy Steels is Australia's only processor of Quenched and Tempered (Q&T) high-tensile, abrasion resistant and armour grade alloyed steel plates. Bisalloy Steels processing operation is located in Unanderra near Wollongong, NSW. Bisalloy Steels distributes wear-grade and high tensile plate through distributors and directly to original equipment manufacturers in both Australia and overseas.

As was foreshadowed at the AGM in November 2009, Bisalloy Group saw an improvement in sales volumes in HY10 compared to the second half of the last financial year but this sales volume improvement was at reduced margins as existing inventories were cleared. During this de-stocking period sales in all markets showed slow and steady improvement with the exception of the Thai market where export dependent original equipment manufacturers are still experiencing subdued demand.

In the early months of the new financial year, and prior to the Australian dollar's rapid appreciation, Bisalloy Steels augmented the modest improvement in the domestic market with sales of armour plate to export markets. By the end of HY10 the rise of the A\$ presented challenges in the export market but, as has been noted in previous investor communications, a strong A\$ provides the Bisalloy Group the opportunity to adjust its sourcing mix with competitively priced raw material input from overseas steel mills. This leverage will be used by the Group to maintain the sales recovery currently underway and provide the opportunity to improve margins.

While the Thai market is depressed the Indonesian market, which leverages off a significant mining activity, has rebounded strongly and management is optimistic that this trend will continue for the balance of the financial year.

Production at the Bisalloy Steels' processing operation has been ramped up to meet increasing demand but is yet to return to the full 24hr production capability. In preparation for this eventuality, Bisalloy Steels installed a new shot blasting unit during the Christmas maintenance period to maximise the reliability of the highly efficient continuous flow production process.

Safety

Bisalloy Group continues its key focus of zero harm through company wide initiatives involving all employees. Through Safety Committees at all sites Bisalloy Group ensures that a positive feedback mechanism between management, employees, contractors and visitors is maintained at all Company's sites.

As well as providing a safe workplace, Bisalloy Group pursues opportunities to achieve environmentally friendly processes improvements that reduce waste and minimise energy consumption. Capital investments must meet both financial and environmental considerations.

Following on from the safety statistics improvement in the last financial year, Bisalloy Group can report another six month period Lost Time Injury (LTI) free

Results

Revenues of the Company in the period were \$39.7m, up \$10.4m when compared to the revenues recorded in the second half of FY09. This reflects a gradual improvement from the severe economic downturn which gripped the steel industry and world markets generally, through most of 2009. Compared to historic levels demand for quenched and tempered plate during the period was weak and prices continued to fall.

In 1HY10 Bisalloy recorded a normalised EBIT loss of \$0.5m, principally driven by the weak demand and a continued fall of quenched and tempered plate prices. At the same time the Company addressed high inventory levels, which had been accumulated to support the strong levels of activity which persisted prior to the downturn. These factors negatively impacted margins.

Net financing costs in the period were \$1.8m compared to \$1.6m in the second half of FY09. This arose because the positive effects of lower average borrowing levels were more than offset by higher bank margins and interest rates.

Corporate

Corporate costs for the half year were \$0.9m substantially lower than the \$2.6m incurred previous corresponding period, which had included costs associated with the larger group prior to its divestment of Atlas Specialty Metals.

Outlook

By the end of the first half of the current financial year prices for the Company's products had stabilised. In the first six weeks of the current half year the Company has experienced some tentative improvements in customer confidence, while quenched & tempered plate prices remain stable at pre-Christmas levels.

The Directors consider there is sufficient evidence to believe that the Company can look forward to an improved operating performance and that it will post an operating profit for the full financial year.

Finance

Working Capital

Net Working Capital has been managed down from \$30.4m at 30 June 2009 to stand at \$20.7m by the end of the half year. This was principally because of a 46% fall in the level of inventories as a result of a concerted management effort to reduce inventories which had been built up to support the levels of activity being experienced prior to the economic downturn. Net amount of receivables and payables increased by \$3.2m in the half year in line with the improved trading volumes experienced towards the end of the period.

Net Working Capital Movement	31 Dec 2009	30 Jun 2009	Variance
	\$m	\$m	\$m
Trade and other receivables	15.7	10.7	(5.0)
Inventories	15.0	27.9	12.9
	<u>30.7</u>	<u>38.6</u>	<u>7.9</u>
less			
Trade and other payables	(10.0)	(8.2)	1.8
	<u>20.7</u>	<u>30.4</u>	<u>9.7</u>

Banking Facility

Bisalloy Steel Group Limited and Bisalloy Steels Pty Limited entered into its current banking facility agreement with GE Commercial Australasia Pty Limited on 5 November 2008. Subsidiary companies of the Group are guarantors to the facility.

The facility provides the Group with:

- A \$40m revolving loan facility
- A \$12m term loan facility

The original term of the facility matured on 30 June 2009, however Bisalloy had the option to extend the facility until 31 October 2010 which it exercised prior to 30 June 2009. The facility is designed to provide Bisalloy Steel Group Limited with funding for on-going working capital, including letters of

credit, capital expenditures and other corporate purposes. The facility can be renegotiated early if borrowing conditions improve.

The current maturity date of the facility of 31 October 2010 means that the facilities are “current” for accounting purposes (maturing in less than 12 months time) and must be disclosed as such in the balance sheet. The directors are not aware of any factors, based on the Company’s forecast cash flows and existing market conditions that would cause refinancing of the facility not to be available at normal commercial terms.

Share Placement

On 31 August 2009, the Company placed 28,233,320 ordinary shares with existing institutional investors and a new sophisticated investor to raise \$4.9m before costs. The placement issue raised \$4.9m after costs. The net proceeds of the capital raising have been used to fund working capital and for general corporate purposes. The funds were received in full by the Company by 23 September 2009.

Cash Flow

The substantial reduction in Net Working Capital detailed above, has helped the Company record a net cash inflow from operating activities of \$6.7m in the half year. This inflow along with the funds received from the Share Placement has allowed the Company to repay borrowings of \$11.5m to leave borrowings of \$24.7m outstanding at 31 December 2009. By the end of January 2010 borrowings had reduced further to stand at \$22.4m.

Capital expenditure in the half year was \$466k. The major part of this expenditure related to progress payments for a replacement secondary shot blaster on the main production line. The shot blaster was installed and commissioned during the recent Christmas break, and was operating by mid-January when the plant resumed production. The final cost of the shot blaster will be \$1.8m of which \$150k remained outstanding at 31 December 2009. The Company does not anticipate any other major capital expenditure in the second half of the year.

Dividend

No dividend will be paid in respect of the half year ended 31 December 2009.

Auditor Independence

The directors received the declaration on page 8 from the auditor of Bisalloy Steel Group Limited.

Directors

The names of directors of Bisalloy Steel Group Limited (“the Company”) in office during the financial period and until the date of this report are set out below. Directors were in office for the entire period, unless otherwise stated.

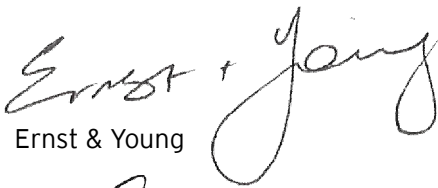
Name	Office
Mr Phillip Cave AM B.Bus, FCPA	Non-Executive Chairman
Mr Kym Godson Dip Tech (Bus Admin) FAICD, FAIM	Non-Executive Director
Mr Richard Grellman AM FCA	Non-Executive Director
Mr Graeme Pettigrew FPNA, FAIM, FAICD	Non-Executive Director
Mr Robert Terpening	Chief Executive Officer and Managing Director

Signed in accordance with a resolution of the directors.

Robert Terpening
Managing Director
19 February 2010

Auditor's Independence Declaration to the Directors of Bisalloy Steel Group Limited

In relation to our review of the financial report of Bisalloy Steel Group Limited for the half year ended 31 December 2009, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Ernst & Young



Trent van Veen
Partner
Sydney
19 February 2010

**Consolidated Statement of Comprehensive Income
Half year ended 31 December 2009**

	Notes	Half Year ended 31 Dec 2009 \$'000	Half Year ended 31 Dec 2008 \$'000
Continuing operations			
Revenue			
Sales of goods		39,654	79,657
Rendering of services		16	28
Finance revenue	3(a)	15	5
		<u>39,685</u>	<u>79,690</u>
Cost of sales		(35,819)	(55,742)
Gross profit		3,866	23,948
Other income		263	17,891
Distribution expenses		(290)	(496)
Marketing expenses		(746)	(1,030)
Occupancy expenses		(1,382)	(1,530)
Administrative expenses		(2,573)	(7,722)
		<u>(862)</u>	<u>31,061</u>
(Loss)/Profit from continuing operations before tax and finance costs		(862)	31,061
Finance costs	3(b)	(1,762)	(799)
		<u>(2,624)</u>	<u>30,262</u>
(Loss)/Profit from continuing operations before income tax		(2,624)	30,262
Income tax benefit/(expense)		660	(10,225)
		<u>(1,964)</u>	<u>20,037</u>
(Loss)/Profit after tax from continuing operations		(1,964)	20,037
Discontinued operations			
Loss after tax from discontinued operations		-	(20,235)
		<u>(1,964)</u>	<u>(198)</u>
Net Loss for the period		(1,964)	(198)
Other Comprehensive Income:			
Fair value (loss)/profit on cash flow hedges		(17)	51
Foreign currency translation		(623)	1,612
		<u>(640)</u>	<u>1,663</u>
Other Comprehensive Income for the period		(640)	1,663
Total Comprehensive Income for the period		(2,604)	1,465
(Loss)/Profit for the period is attributable to:			
Minority interest		109	374
Owner's of the parent		(2,073)	(572)
		<u>(1,964)</u>	<u>(198)</u>
Total comprehensive income for the period is attributable to:			
Minority interest		-	635
Owner's of the parent		(2,604)	830
		<u>(2,604)</u>	<u>1,465</u>

**Consolidated Statement of Comprehensive Income (continued)
Half year ended 31 December 2009**

	Notes	Half Year ended 31 Dec 2009	Half Year ended 31 Dec 2008
Earnings per share (cents per share)	5		
- Basic earnings per share		(1.0)	(0.5)
- Basic earnings per share from continuing operations		(1.0)	18.6
- Diluted earnings per share		(1.0)	(0.5)
- Diluted earnings per share from continuing operations		(1.0)	18.4

**Consolidated Statement of Financial Position
31 December 2009**

	Notes	31 Dec 2009 \$'000	30 June 2009 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	6	1,215	1,784
Trade and other receivables		15,728	10,654
Inventories		15,001	27,939
Other current assets		1,254	605
Income tax receivable		-	67
Total current assets		33,198	41,049
Non current assets			
Deferred tax asset		1,788	1,414
Property, plant and equipment		12,236	12,201
Other financial assets		-	355
Total non current assets		14,024	13,970
Total assets		47,222	55,019
LIABILITIES			
Current liabilities			
Trade and other payables		10,020	8,187
Interest bearing loans and borrowings		24,704	36,242
Income tax payable		2,371	2,711
Provisions		1,374	1,202
Derivative financial instruments		62	-
Total current liabilities		38,531	48,342
Non current liabilities			
Provisions		245	366
Total non current liabilities		245	366
Total liabilities		38,776	48,708
NET ASSETS		8,446	6,311
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity	4	65,546	60,627
Retained losses		(59,196)	(57,123)
Other reserves		(781)	(753)
Parent interests		5,569	2,751
Minority interests		2,877	3,560
TOTAL EQUITY		8,446	6,311

**Consolidated Statement of Cash Flows
Half Year ended 31 December 2009**

Notes	Half Year ended 31 Dec 2009 \$'000	Half Year ended 31 Dec 2008 \$'000
Cash flows from operating activities		
Receipts from customers	34,642	218,534
Payments to suppliers and employees	(26,212)	(202,105)
Interest received	15	14
Finance costs	(1,762)	(4,557)
Income tax paid	13	(1,309)
	6,696	10,577
Cash flows from investing activities		
Proceeds from disposal of distribution business (net of cash disposed)	-	80,008
Payments for property, plant and equipment	(466)	(2,259)
	(466)	77,749
Cash flows from financing activities		
Repayment of borrowings (net)	(11,538)	(86,870)
Repayment of finance lease liabilities	-	(543)
Proceeds from issue of ordinary shares	4,941	-
Payments for transaction costs	(22)	-
Dividend paid to minority interest	(180)	-
	(6,799)	(87,413)
Net (decrease)/increase in cash and cash equivalents	(569)	913
Cash and cash equivalents at the beginning of period	1,784	2,408
Cash and cash equivalents the end of period	1,215	3,321

Consolidated Statement of Changes in Equity
Half Year ended 31 December 2009

	Attributable to equity holders of the Company							
	Issued capital	Employee equity benefits reserve	Net loss / (gain) on cash flow hedges	Foreign currency translation reserve	Retained earnings	Total	Minority interest	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 30 June 2009	60,627	24	-	(777)	(57,123)	2,751	3,560	6,311
Profit/(Loss) for the period	-	-	-	-	(2,073)	(2,073)	109	(1,964)
Other comprehensive income	-	-	(17)	(514)	-	(531)	(109)	(640)
Redesignation of FCTR from minority interests	-	-	-	503	-	503	(503)	-
Total comprehensive income	-	-	(17)	(11)	(2,073)	(2,101)	(503)	(2,604)
Transactions with owners in their capacity as owners:								
Proceeds from issue of share capital	4,941	-	-	-	-	4,941	-	4,941
Transaction costs on share issue	(22)	-	-	-	-	(22)	-	(22)
Dividends paid	-	-	-	-	-	-	(180)	(180)
At 31 December 2009	65,546	24	(17)	(788)	(59,196)	5,569	2,877	8,446
At 30 June 2008	40,933	509	(51)	(3,580)	(52,812)	(15,001)	2,932	(12,069)
Profit/(Loss) for the period	-	-	-	-	(572)	(572)	374	(198)
Other comprehensive income	-	-	51	1,351	-	1,402	261	1,663
Total comprehensive income	-	-	51	1,351	(572)	830	635	1,465
Transactions with owners in their capacity as owners:								
Proceeds from issue of share capital	-	-	-	-	-	-	-	-
Transaction costs on share issue	-	-	-	-	-	-	-	-
At 31 December 2008	40,933	509	-	(2,229)	(53,384)	(14,171)	3,567	(10,604)

The above Statement of Changes in Equity should be read in conjunction with the accompanying Notes

1. Summary of significant accounting policies**a. Basis of preparation**

This general purpose condensed consolidated financial report for the half year ended 31 December 2009 has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The financial information contained herein has been prepared in accordance with the historical cost convention, except for assets and liabilities classified as held for sale, which are measured at fair value less costs to sell and derivative financial instruments which have been measured at fair value.

The condensed consolidated half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the condensed consolidated half year financial report be read in conjunction with the annual report for the year ended 30 June 2009 and considered together with any public announcements made by the Company during the half year ended 31 December 2009 in accordance with the continuous disclosure obligations of the ASX listing rules. The financial report has been prepared using the same accounting policies as used in the most recent annual financial report, except for the changes resulting from the adoption of AASB 8 "Operating Segments" and AASB 101 (Revised) "Presentation of financial statements". Adoption of these standards did not have a significant impact on the amounts recognised in this financial report.

The condensed consolidated half year financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the Company under ASIC Class Order 98/100. The Company is an entity to which the class order applies.

b. Going concern

The company's existing banking facilities mature on 31 October 2010 and will required to be rolled over or alternative financing put in place prior to this date. Management has commenced discussions to ensure that financing is available to the Company. The directors are not aware of any factors, based on the Company's forecast cash flows and existing market conditions, that would cause such finance not to be available at normal commercial terms.

The accounts are prepared on a going concern basis as the directors are of the opinion that the Group will continue to be able to meet its obligations as they become due and payables over the next twelve months.

c. Basis of consolidation

The condensed consolidated financial statements comprise the financial statements of the Company, being Bisalloy Steel Group Limited, and its subsidiaries ("the Group") as at the balance date. The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Adjustments are made to bring into line any dissimilar accounting policies that may exist. All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

c. Basis of consolidation (continued)

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Minority interests represent the portion of profit or loss and net assets in subsidiaries, not held by the Group and are presented separately in the consolidated Statement of comprehensive income and within equity in the consolidated Statement of financial position, separately from parent shareholders' equity.

	Half Year Ended 31 December 2009 \$'000	Half Year Ended 31 December 2008 \$'000
2. Dividends:		
Dividends paid		
Final 2009 dividend nil (2008: nil)	-	-
3. Revenues and expenses:		
(a) Finance revenue		
Interest	15	5
	15	5
(b) Finance costs		
Bank loans and overdrafts	1,733	799
Other interest	29	-
Total finance costs	1,762	799
(c) Depreciation, amortisation and costs of inventories included in the Statement of comprehensive income		
Depreciation and amortisation	432	586
Cost of inventories	35,819	55,742

	Half Year Ended 31 December 2009 \$'000	Half Year Ended 31 December 2008 \$'000
(d) Foreign exchange differences included in the Statement of comprehensive income		
Fair value loss/(gain) on derivatives	45	(14,822)
Foreign exchange loss/(gain)	404	(3,019)
<hr/>		
The fair value loss on derivatives arose from the valuation of forward exchange contracts that Bisalloy Steels Pty Ltd had in place as at 31 December 2009.		
(e) Lease payment and other expenses included in the Statement of comprehensive income		
Rental – operating leases	55	47
<hr/>		
(f) Employee benefits expense		
Wages and salaries	3,699	5,796
Workers' compensation costs	93	246
Superannuation costs	255	300
	<hr/> 4,047	<hr/> 6,342

	31 Dec 2009 \$'000	30 June 2009 \$'000
4. Issued capital:		
<i>Ordinary shares</i>		
<i>Issued and fully paid</i>	65,546	60,627
	Thousands	\$'000
<i>Movement in ordinary shares on issue</i>		
At 1 Jan 2009	104,568	40,933
Issued during the period	83,655	19,694
At 30 Jun 2009	188,223	60,627
Issued during the period	28,233	4,919
At 31 Dec 2009	216,456	65,546
	Half Year Ended 31 Dec 2009 '\$000	Half Year Ended 31 Dec 2008 '\$000
5. Earnings per share:		
Calculation of the following in accordance with AASB 133:		
Net (loss)/profit from continuing operations	(1,964)	20,037
Net profit attributable to minority interest holders	(109)	(374)
Net (loss)/profit attributable to equity holders from continuing operations	(2,073)	19,663
Net (loss) attributable to equity holders from discontinued operations	-	(20,235)
Net loss attributable to equity holders of the parent	(2,073)	(572)
Net loss attributable to ordinary shareholders for diluted earnings per share	(2,073)	(572)
Net loss attributable to ordinary shareholders from discontinued operations for basic earnings per share	-	(20,235)
	Thousands	Thousands
Weighted average number of ordinary shares for basic earnings per share	209,398	104,568
Effects of dilution:		
Performance rights	135	1,120
Adjusted weighted average number of ordinary shares for diluted earnings per share	209,533	105,688
Weighted average number of lapsed or cancelled potential ordinary shares included in diluted earnings per share	-	-

	31 December 2009 \$'000	30 June 2009 \$'000
6. Cash and cash equivalents		
Cash at bank and in hand	1,215	1,784
a. Reconciliation of cash		
For the purposes of the statements of cash flows, cash and cash equivalents comprise the following at 31 December:		
Cash at bank and in hand	1,215	1,784
	<u>1,215</u>	<u>1,784</u>
b. Non-cash financing activities		
<i>Dividend reinvestment plan</i>		
No shares were issued under the dividend reinvestment plan during the six months ending 31 December 2009 (31 December 2008: nil).		
7. Commitments and contingencies		
There has been no material change of any contingent liability or contingent asset since the last annual reporting date.		
8. Events after the balance date		
There have been no significant events after the balance sheet date.		

9. Segment information

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on country of origin. Discrete financial information about each of these operating businesses is reported to the executive management team on at least a monthly basis.

The reportable segments are based on aggregated operating segments determined by geographical regions because the Company's business operations within the geographical segments identified are similar in nature.

Geographical areas

Australian operations

The Australian operations comprise of Bisalloy Steels Pty Limited and Bisalloy Steel Group Limited.

Bisalloy Steels Pty Limited distributes wear-grade and high tensile plate through distributors and directly to original equipment manufacturers in both Australia and Overseas. Bisalloy Steels is located in Unanderra, near Wollongong, NSW.

Bisalloy Steel Group Limited is the corporate entity, also located in Unanderra NSW, which incurs expenses such as head office costs and interest. All corporate charges relate to the Australian operations and are linked to Australian segment revenue only.

During the half year ended 31 December 2008 the Group's Distribution business (known as Atlas Specialty Metals), comprising of the Company's Australian and New Zealand specialty metals distribution businesses, was sold. The Australian entities of the Distribution business are included in the below Australian operations comparatives.

Overseas operations

The overseas operations comprise of PT Bima Bisalloy and Bisalloy (Thailand) Co Limited located in Indonesia and Thailand respectively. These businesses distribute Bisalloy Q&T plate as well as stainless steel products.

The New Zealand entities of the Distribution business that were sold during the half year ended 31 December 2008 are included in the below Overseas operations comparative figures.

Inter-segment transactions

Inter-entity sales are recognised based on an internally set transfer price. This price is set monthly and aims to reflect what the business operation could achieve if they sold their output to external parties at arm's length.

9. Segment information (continued)
Information about reportable segments

The following table presents revenue and result information regarding these segments for the half years ended 31 December 2009 and 31 December 2008. Information pertaining to the half year ended 31 December 2008 has been restated from that previously reported to align comparative data with current operating segments.

	Australian Operations \$'000	Overseas Operations \$'000	Total \$'000
31 December 2009			
External revenues	30,591	9,094	39,685
Inter-segment revenue	5,573	-	5,573
Total revenue	36,164	9,094	45,258
Segment (loss)/profit before income tax	(3,080)	456	(2,624)
31 December 2008			
External revenues	162,790	27,381	190,171
Inter-segment revenue	9,289	-	9,289
Total revenue	172,079	27,381	199,460
Segment (loss)/profit before income tax	(5,232)	9,773	4,541

Reconciliation of reportable segment profit or loss

	31 December 2009	31 December 2008
Total (loss)/profit for reportable segments	(2,264)	4,541
Elimination of discontinued operations (before tax)	-	25,721
Consolidated (loss)/profit before tax	(2,264)	30,262

Directors' Declaration

In accordance with a resolution of the directors of Bisalloy Steel Group Limited, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity:
 - (i) give a true and fair view of the financial position as at 31 December 2009
 - (ii) and the performance for the half-year ended on that date of the consolidated entity; and
 - (ii) comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Robert Terpening
Managing Director
19 February 2010

To the members Bisalloy Steel Group Limited

Report on the Half Year Financial Report

We have reviewed the accompanying half year financial report of Bisalloy Steel Group Limited, which comprises the condensed statement of financial position as at 31 December 2009 and the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half year end or from time to time during the half year.

Directors' Responsibility for the Half Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Bisalloy Steel Group Limited and the entities it controlled during the half year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

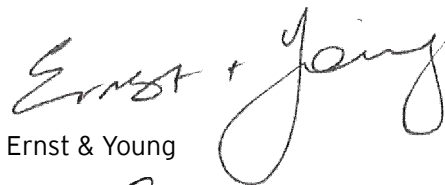
Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included by reference in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of Bisalloy Steel Group Limited is not in accordance with the *Corporations Act 2001*, including:

- i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half year ended on that date; and
- ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in cursive script that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in cursive script, appearing to read 'Trent van Veen'.

Trent van Veen
Partner
Sydney
19 February 2010

Compliance Statement:

1. This report is based on the financial statements to which one of the following applies:

<input type="checkbox"/> The financial statements have been audited.	<input checked="" type="checkbox"/> The financial statements have been subject to review.
<input type="checkbox"/> The financial statements are in the process of being audited or subject to review.	<input type="checkbox"/> The financial statements have not yet been audited or reviewed.

2. The entity has a formally constituted audit committee.